

**IN THE UNITED STATES DISTRICT COURT
NORTHERN DISTRICT OF ILLINOIS
EASTERN DIVISION**

MAUI JIM, INC., an Illinois Corporation)	
)	Case No. 1:16-cv-09788
Plaintiff,)	
)	District Judge Marvin E. Aspen
v.)	Magistrate Judge Jeffrey T. Gilbert
)	
SMARTBUY GURU ENTERPRISES, a)	
Cayman Island Company, MOTION)	
GLOBAL LTD., a Hong Kong Company,)	* PUBLIC VERSION *
SMARTBUYGLASSES SOCIETÀ A)	
RESPONSABILITÀ LIMITATA, an)	
Italian Company, SMARTBUYGLASSES)	
OPTICAL LIMITED, a Hong Kong)	
company,)	
)	
Defendants.)	

**DEFENDANTS' STATEMENT OF MATERIAL FACTS IN
SUPPORT OF THEIR MOTION FOR SUMMARY JUDGMENT**

Defendants SmartBuy Guru Enterprises, Motion Global Ltd., SmartBuyGlasses Società a Responsabilità Limitata, and SmartBuyGlasses Optical Limited (collectively, “SmartBuyGlasses”), submits this Statement of Material Facts in Support of their Motion for Summary Judgment pursuant to Local Rule 56.1 of the United States District Court for the Northern District of Illinois.

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TABLE OF EXHIBITS

No.	Label	Description
1	Declaration of Doron Kalinko	Aug. 1, 2019
2	Declaration of [REDACTED] [REDACTED]	July 29, 2019
3	Deposition of Paul Lippens	Feb. 15, 2019
4	Deposition of David Menning	Jan. 18, 2019
5	Deposition of Jay Black	Dec. 13, 2018
6	Deposition of Michael Dalton	Feb. 14, 2019
7	Deposition of Hans Penzek	Nov. 15, 2018
8	Deposition of Chris McClain	Dec. 11, 2018
9	Deposition of Dave Siragusa	Dec. 14, 2018
10	Deposition of Daniel Rossetto	Jan. 17, 2019; Jan. 18, 2019; April 9, 2019
11	Deposition of Doron Kalinko	Jan. 20, 2019; Jan. 21, 2019; Jan. 23, 2019; April 9, 2019
12	Deposition of King Cheung	Jan. 24, 2019
13	MJ00004339	Internal Maui Jim email from Hans Penzek dated Feb. 5, 2012
14	MJ00004454	Internal Maui Jim email from Hans Penzek dated Feb. 25, 2012
15	MJ00004470	Internal Maui Jim email string including email from Hans Penzek dated Sept. 8, 2013
16	MJ00004466	Internal Maui Jim email dated Dec. 4, 2013
17	MJ00004759	Internal Maui Jim email from Chris McClain dated Aug. 4, 2013
18	Deposition of Harry Rhodes	Feb. 13, 2019
19	MJ00016702	Internal Maui Jim email dated Jan. 31, 2018
20	MJ00002343	Internal Maui Jim email from Harry Rhodes dated Oct. 11, 2016
21	MJ00014716	Internal Maui Jim email dated April 30, 2015

No.	Label	Description
22	MJ00004523	Internal Maui Jim email between Chris McClain and a Dept. of Homeland Security representative, dated July 23, 2014
23	MJ00004611	Internal Maui Jim email between Lynn Campen and Chris McClain, dated Oct. 10, 2013
24	MJ00004659	Internal Maui Jim email between Lynn Campen and Chris McClain, dated Oct. 26, 2013
25	MJ00001819	Maui Jim customer service email dated Dec. 13, 2016
26	MJ00003781	Maui Jim customer service chat dated April 26, 2017
27	MJ00016421	Maui Jim customer service chat dated Sept. 26, 2018
28	MJ00016392	Maui Jim customer service chat dated July 22, 2018
29	MJ00003783	Maui Jim customer service chat dated Jan. 16, 2016
30	MJ00003746	Maui Jim customer service chat dated June 7, 2017
31	MJ-INT000000067	Internal Maui Jim email from Hans Penzek, dated Aug. 2, 2011
32	SBG0747378	Email from Daniel Rossetto to [REDACTED], dated May 15, 2018
33	SBG0747200	Letter from [REDACTED] to SmartBuyGlasses
34	SBG0747190	Email from [REDACTED] to Daniel Rossetto, dated June 20, 2018
35	SBG0747410	Letter from [REDACTED] to SmartBuyGlasses
36	SBG0747411	Letter from [REDACTED] to SmartBuyGlasses
37	SBG0747418	Letter from the [REDACTED] to SmartBuyGlasses
38	SBG0747413	Letter from [REDACTED] to SmartBuyGlasses
39	SBG0747085	Email from [REDACTED] to Daniel Rossetto, dated May 17, 2018
40	MJ-INT000000074	Internal Maui Jim email from Hans Penzek, dated July 27, 2012
41	MJ00014116	Internal Maui Jim email from Hans Penzek, dated April 2, 2014
42	MJ00014946	Email between Dave Siragusa and [REDACTED] representatives, dated Dec. 20, 2015
43	SBG0002368	Email between David Menning and a Maui Jim representative, dated Sept. 25, 2008
44	MJ00013666	Email between Harry Rhodes and Michael Dalton, dated Sept. 21, 2011
45	MJ00004341	Internal Maui Jim email dated Oct. 6, 2011
46	Deposition of Andrea Salmaso	Nov. 16, 2018
47	MJ-INT000000006	Internal Maui Jim email from Hans Penzek, dated Oct. 26, 2011
48	SBG0001866	SmartBuyGlasses' Supplier List

No.	Label	Description
49	Rossetto Exhibit 103	Updated SmartBuyGlasses Supplier List
50	SBG0711943	Email between Daniel Rossetto and [REDACTED] dated July 22, 2015
51	SBG0746980	Internal SmartBuyGlasses email from Daniel Rossetto, dated Oct. 12, 2015
52	MJ-INT00000053	Email from [REDACTED] to Andrea Salmaso, dated April 4, 2017
53	Buffo Rebuttal Report Exhibit C	Spreadsheet detailing SmartBuyGlasses' revenue and expenses related to sales of Maui Jim sunglasses between 2009 and 2019
54	Kalinko Exhibit 100	SmartBuyGlasses website screenshot taken at Doron Kalinko's deposition
55	Kalinko Exhibit 91	SmartBuyGlasses website screenshot taken at Doron Kalinko's deposition
56	Kalinko Exhibit 92	SmartBuyGlasses website screenshot taken at Doron Kalinko's deposition
57	Kalinko Exhibit 93	SmartBuyGlasses website screenshot taken at Doron Kalinko's deposition
58	Kalinko Exhibit 90	SmartBuyGlasses website screenshot taken at Doron Kalinko's deposition
59	MJ00000865	Description of a test purchase of Maui Jim sunglasses made from SmartBuyGlasses' website
60	MJ00017074	Screenshot of SmartBuyGlasses' website
61	Black Exhibit 6	[REDACTED]
62	MJ00002592	List of Maui Jim authorized retailers who have violated Maui Jim's policy against glazing third party lenses into Maui Jim frames
63	MJ00019021	List of Maui Jim authorized retailers who have violated Maui Jim's policy against glazing third party lenses into Maui Jim frames
64	MJ00019015	List of Maui Jim authorized retailers who have violated Maui Jim's policy against glazing third party lenses into Maui Jim frames
65	MJ00019023	List of Maui Jim authorized retailers who have violated Maui Jim's policy against glazing third party lenses into Maui Jim frames
66	MJ00019142	List of Maui Jim authorized retailers who have violated Maui Jim's policy against glazing third party lenses into Maui Jim frames
67	MJ00002379	Internal Maui Jim email from Harry Rhodes, dated Sept. 13, 2013
68	MJ00002139	List of Maui Jim authorized retailers who have violated Maui Jim's policy against glazing third party lenses into Maui Jim frames

No.	Label	Description
69	Caniglia Report	Expert Report of Richard Caniglia
70	MJ00002631	Internal Maui Jim email dated Sept. 12, 2016
71	MJ00002828	Internal Maui Jim email dated Oct. 16, 2016
72	MJ-INT00000652	Email from Maui Jim authorized retailer to Hans Penzek, dated June 6, 2018
73	MJ00002588	Internal Maui Jim email dated Jan. 8, 2018
74	Deposition of Lynn Campen	Dec. 12, 2018
75	SBG0647526	Email from [REDACTED] to Doron Kalinko, dated April 12, 2017
76	Rhodes Exhibit 19	Website screenshot taken Feb. 12, 2019
77	MJ00004293	Maui Jim-[REDACTED] authorized retailer agreement dated Sept. 2011 (Italian language)
78	MJ00004311	Maui Jim-[REDACTED] authorized retailer agreement dated Jan. 2017 (Italian language)
79	Salmaso Exhibit 4	Maui Jim-[REDACTED] authorized retailer agreement dated Jan. 2017 (English language translation)
80	MJ00016295	Standards for Maui Jim Retail Distributors (Italian language)
81	Salmaso Exhibit 6	Standards for Maui Jim Retail Distributors (English language translation)
82	MJ00014992	Internal Maui Jim email from Dave Siragusa, dated June 5, 2015
83	MJ00015681	Internal Maui Jim email dated July 29, 2014
84	MJ00004367	Internal Maui Jim email dated April 16, 2015
85	MJ00004723	Internal Maui Jim email dated Dec. 16, 2013
86	MJ00002247	Internal Maui Jim email dated Dec. 16, 2013
87	MJ00013653	Email from Harry Rhodes to Michael Dalton dated Dec. 26, 2011
88	MJ00013907	Email from a [REDACTED] representative to Dave Siragusa, dated May 23, 2014
89	MJ00013855	Email from a [REDACTED] representative to Dave Siragusa, dated June 19, 2014
90	Deposition of Christopher Reilly, Market Track's Rule 30(b)(6) Designee	April 19, 2019
91	Lippens Exhibit 2	Chart produced at the deposition of Paul Lippens
92	MJ00001881	Email from a Maui Jim customer to Maui Jim customer service, dated Dec. 21, 2016
93	MJ00001878	Email from a Maui Jim customer to Maui Jim customer service, dated Aug. 5, 2016

No.	Label	Description
94	MJ00000651	Maui Jim's warranty, various languages
95	MJ00000656	Maui Jim's warranty, English language
96	MJ00015001	Maui Jim's U.S. General Policies, dated Dec. 2013
97	MJ00003034	Internal Maui Jim email from Lynn Campen to a customer service representative, dated Dec. 4, 2015
98	MJ00015741	Email from a Maui Jim customer service representative to a Maui Jim customer, dated Aug. 17, 2016
99	MJ00016126	Internal Maui Jim email from a Maui Jim customer service team lead to a customer service representative, dated Dec. 7, 2017
100	MJ00016121	Maui Jim customer service chat dated Dec. 7, 2017
101	MJ00003745	Maui Jim customer service chat dated June 3, 2017
102	MJ00003786	Maui Jim customer service chat dated May 2, 2017
103	MJ00003779	Maui Jim customer service chat dated Dec. 6, 2017
104	MJ00003747	Maui Jim customer service chat dated June 7, 2017
105	MJ00001927	Maui Jim customer service email dated March 8, 2017
106	MJ00001871	Maui Jim customer service chat dated Nov. 29, 2017
107	MJ00015728	Maui Jim customer service chat dated Dec. 4, 2017
108	MJ00016167	Maui Jim customer service chat dated Sept. 6, 2016
109	MJ00016171	Maui Jim customer service email dated Aug. 30, 2016
110	MJ00016356	Maui Jim customer service chat dated April 25, 2018
111	Unused	N/A
112	MJ00015140	Internal Maui Jim email from Dave Siragusa, dated Dec. 1, 2014
113	MJ00015197	Internal Maui Jim email from Dave Siragusa, dated Jan. 29, 2016
114	MJ00014590	Internal Maui Jim email dated April 12, 2016
115	MJ00016372	Maui Jim customer service chat dated June 10, 2018
116	MJ00016383	Maui Jim customer service chat dated July 7, 2018
117	MJ00016385	Maui Jim customer service chat dated July 10, 2018
118	Salmaso Exhibit 2	Maui Jim- [REDACTED] authorized retailer agreement dated Sept. 2011 (English language translation)
119	Declaration of Stephen J. Rosenfeld	Aug. 1, 2019

I. INTRODUCTION

A. SmartBuyGlasses' Background

1. SmartBuyGlasses is a leading online retailer of designer eyewear and is highly respected within the optical industry, selling more than 180 brands through its websites. (Declaration of Doron Kalinko at ¶ 1, attached hereto as **Exhibit 1**; Declaration of [REDACTED] at ¶ 36, attached hereto as **Exhibit 2**.) The group has also operated physical retail outlets in Asia and Australia. (Ex. 1 at ¶ 1.) SmartBuyGlasses works directly with the eyewear industry's leading players (including Luxottica, the world's largest eyewear company) and has relationships with top industry brands including Ray-Ban, Oakley, Prada, Gucci, YSL, Bvlgari, Versace, Nike, Burberry, and Michael Kors, among others that make up the vast majority of its total sales. (*Id.* at ¶ 3; *see also* Deposition of Paul Lippens, attached hereto as **Exhibit 3**, 187:12-18.) SmartBuyGlasses sources products through its trusted network of suppliers, including directly from brand manufacturers, distributors and authorized retailers. (Ex. 1 at ¶ 3.)

2. For more than 10 years, SmartBuyGlasses has been a key pioneer in the development of online sales in the optical industry, working with manufacturers, local opticians, and top technology innovators to provide virtual frame try-on, eye-test appointments with local opticians, and smartphone prescription lens scanning, all while passing on huge savings to its customers. (*Id.* at ¶ 2.) SmartBuyGlasses is also socially driven, working with top global NGOs, and providing over 85,000 free prescription glasses to extremely poor communities around the world. (*Id.*)

3. SmartBuyGlasses was founded in 2006 by three Australian citizens, David Menning, Tony Zhuang and Doron Kalinko. (Deposition of David Menning, attached hereto as **Exhibit 4**, 10:18-20.) Messrs. Menning and Kalinko are co-Chief Executive Officers of Motion Global. (*Id.* at 9:18-21.) Mr. Zhuang is its Chief Technology Officer. (*Id.* at 9:22-10:8.)

B. Maui Jim Background

4. Maui Jim designs and manufactures sunglasses. (Second Am. Compl., ECF No. 257, ¶ 16.) It has approximately a [REDACTED] market share of the [REDACTED] sunglass market and has sold its eyewear through more than [REDACTED] authorized retailers in the United States alone, including Target, Sunglass Hut, Costco, Dick's Sporting Goods, Bass Pro Shops, and REI. (Deposition of Jay Black, attached hereto as **Exhibit 5**, 99:18-100:7, 101:6-9, 105:4-10; Deposition of Michael Dalton, attached hereto as **Exhibit 6**, 107:24-108:14.) Maui Jim has [REDACTED] European distribution centers and [REDACTED] authorized retailers in Europe. (Deposition of Hans Penzek, attached hereto as **Exhibit 7**, 16:21-17:3; 19:9-12.)

C. SmartBuyGlasses' Sells Authentic Maui Jim Sunglasses

5. SmartBuyGlasses prides itself on supplying authentic, genuine eyewear from leading designers, including Maui Jim. (Ex. 1 at ¶ 4.) Every pair of Maui Jim sunglasses SmartBuyGlasses sells is authentic and manufactured by Maui Jim. (Deposition of Chris McClain, attached hereto as **Exhibit 8**, 11:12-12:4; 17:14-18:1; 19:17-20:11; 22:1-14; 125:1-4; Deposition of Dave Siragusa, attached hereto as **Exhibit 9**, 51:5-52:23; 53:2-56:23; Deposition of Daniel Rossetto, attached hereto as **Exhibit 10**, 249:13-20; Deposition of Doron Kalinko, attached hereto as **Exhibit 11**, 66:13-14; 278:14-16; 395:9-20; 589:22-590:20.)

6. SmartBuyGlasses sold approximately [REDACTED] pairs of Maui Jim sunglasses into the United States between 2009 and 2019. (See "12a. MJ Sales Summary 2019", attached hereto as **Exhibit A** to Ex. 1.) More than [REDACTED] of those sunglasses were "plano" (*i.e.*, non-prescription) sunglasses. (*Id.*) For those sales, SmartBuyGlasses' customers received the original Maui Jim sunglasses in the original packaging as they came from Maui Jim's authorized retailers. (Deposition of King Cheung, attached hereto as **Exhibit 12**, 46:1-18; 47:21-48:23; 53:10-54:8.)

The remaining [REDACTED] were Maui Jim sunglasses with a third-party prescription add-on lens glazed into the Maui Jim frame. (Ex. 1 at ¶ 5; Ex. 1, Ex. A.) For those sales, SmartBuyGlasses' customers received the original Maui Jim packaging, the original Maui Jim frames with the third-party prescription add-on lens glazed into the frame, and the original Maui Jim plano lenses in a separate envelope. (*Id.*; *see also* Ex. 9, 61:12-62:16.)

7. Maui Jim admits that it has never identified a single pair of Maui Jim sunglasses SmartBuyGlasses sold that Maui Jim did not manufacture. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(Ex. 8, 19:17-20:1.) And, because all of the Maui Jim sunglasses SmartBuyGlasses sold to consumers were originally sourced from Maui Jim, Maui Jim financially benefited from all of the Maui Jim sunglasses SmartBuyGlasses sold. (Ex. 1 at ¶ 6.)

D. Maui Jim Knows About and Supported SmartBuyGlasses Sales Of Its Products

8. Maui Jim knew about and directly supported SmartBuyGlasses' procurement of Maui Jim sunglasses through its [REDACTED] sales organization. (Ex. 11, 90:23-91:3; Ex. 10, 284:5-11; 288:6-290:8.) SmartBuyGlasses sourced [REDACTED]

[REDACTED] (Ex. 1 at ¶ 7;

SBGSUPP000001, attached hereto as **Exhibit B** to Ex. 1.) [REDACTED] (Ex. 7, 84:8-14.) [REDACTED] was an authorized retailer of Maui Jim sunglasses from 2011 to 2018. (Ex. 2 at ¶ 48.)

9. Between 2011 and 2018, [REDACTED] – a Maui Jim sales representative – facilitated the supply of Maui Jim sunglasses to SmartBuyGlasses through [REDACTED] [REDACTED] knew that [REDACTED] was reselling the sunglasses to SmartBuyGlasses. (Ex. 11, 90:23-91:3; Ex. 10, 284:5-11; 288:6-290:8; Ex. 2 at ¶¶ 39-50.) Moreover, [REDACTED] [REDACTED] assisted [REDACTED] in obtaining a significant volume of Maui Jim sunglasses, with full understanding that those sunglasses were to be sold online by SmartBuyGlasses. (Ex. 2 at ¶¶ 46-49.) Indeed, [REDACTED] sold Maui Jim eyewear to SmartBuyGlasses with the full knowledge and support of Maui Jim's [REDACTED] operation for more than seven years. (Ex. 2 at ¶¶ 37-51.)

E. Maui Jim Knows That SmartBuyGlasses Sells Authentic Maui Jim Glasses

10. Maui Jim knows that the Maui Jim sunglasses SmartBuyGlasses sells are authentic because, among other things, [REDACTED] [REDACTED]. (Ex. 7, 98:3-21; 28:4-10; MJ00004339, attached hereto as **Exhibit 13**; Ex. 7, 110:20-115:19; Ex. 6, 20:4-25:1; Ex. 8, 30:16-33:21; MJ00004454, attached hereto as **Exhibit 14**; Ex. 7, 116:20-118:21; Ex. 8, 101:1-106:22; MJ00004470, attached hereto as **Exhibit 15**; Ex. 7, 125:9-129:11; MJ00004466, attached hereto as **Exhibit 16**; Ex. 8, 107:9-111:7; MJ00004759, attached hereto as **Exhibit 17**; Deposition of Harry Rhodes, attached hereto as **Exhibit 18**, 115:1-118:17; Ex. 8, 25:9-29:20,

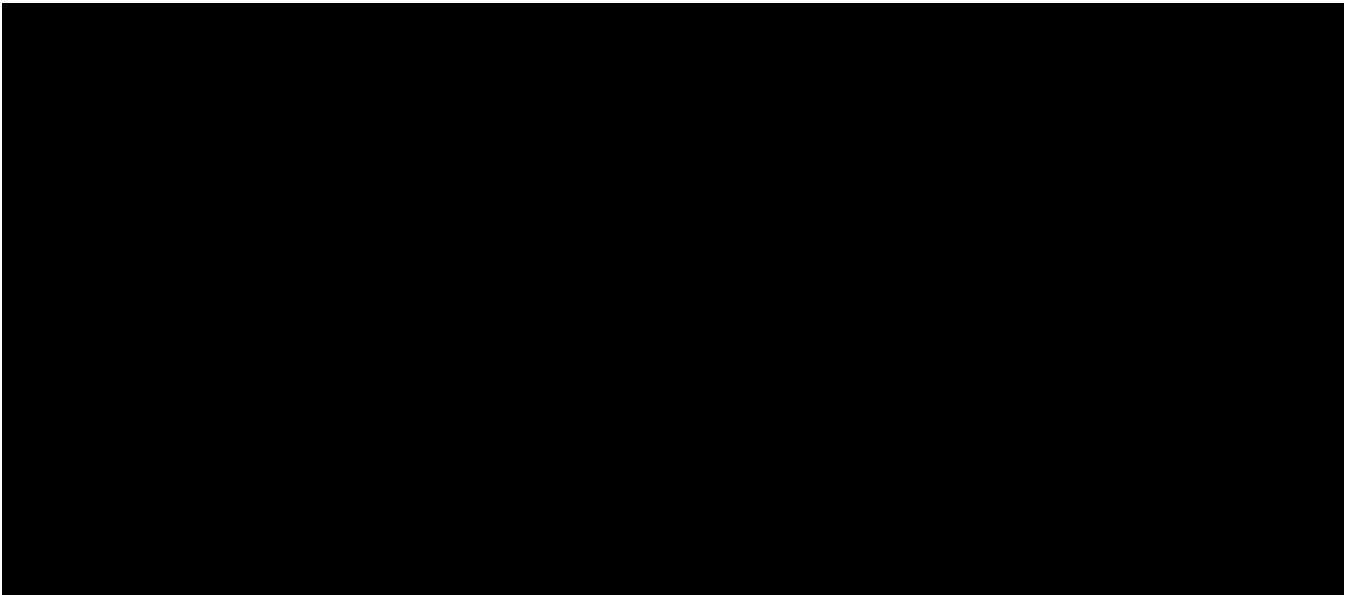
MJ00016702, attached hereto as **Exhibit 19**; Ex. 3, 144:15-145:5; Ex. 8, 104:8-13.) Maui Jim has no evidence that SmartBuyGlasses procured the Maui Jim sunglasses it sells on its website through any means other than Maui Jim's own authorized retailers. (Ex. 8, 21:11-15; 22:1-14; 110:6-10.) [REDACTED]

[REDACTED] Numerous Maui Jim authorized retailers have complained that [REDACTED]. (MJ00002343, attached hereto as **Exhibit 20**; Ex. 13, 119:2-122:7; MJ00014716, attached hereto as **Exhibit 21**.)

11. Although Maui Jim claimed [REDACTED] [REDACTED] (Ex. 8, 11:22-12:1) Maui Jim testified that it did [REDACTED] [REDACTED] (Ex. 5, 52:17-53:2; Ex. 9, 45:12-18.)

12. Hans Penzek, Maui Jim's Vice President for Europe, testified that [REDACTED] [REDACTED] (Ex. 7, 99:3-10.) Nor does Maui Jim contend that SmartBuyGlasses was selling stolen or damaged merchandise. (Ex. 5, 65:16-21, 68:1-7.) To the contrary, Mr. Penzek and Mr. Lippens both admitted (like Mr. Rhodes did) that [REDACTED] [REDACTED] (Ex. 7 127:91-128:4; Ex. 3, 156:16-157:1; Ex. 8, 12:21-13:2; Ex. 18, 117:7-15.)

13. Since 2011, Maui Jim has conducted numerous test purchases from SmartBuyGlasses. (Ex. 8, 116:6-14.) [REDACTED]



14. Maui Jim admits that

[REDACTED]

[REDACTED]

[REDACTED] :

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

15. Mr. Penzek confirmed that all of the plano Maui Jim sunglasses he received from the test purchases were [REDACTED] :

[REDACTED]

[REDACTED]

[REDACTED]

(Ex. 7, 22:11-18.)

[REDACTED]

(Ex. 7, 23:4-12; *see also* 100:18-101:9)

[REDACTED]

(Ex. 7, 25:12-16.)

16. Mr. Penzek also admitted that the test orders Maui Jim made that included the SmartBuyGlasses prescription add-on lenses (out of the [REDACTED] total pairs sold with such an add-on) [REDACTED]. (Ex. 7, 91:2-18; MJ-INT00000067, attached hereto as **Exhibit 31**; Ex. 7, 89:8-92:12.) [REDACTED]

[REDACTED]

[REDACTED]

17. Mr. Lippens on behalf of Maui Jim also testified consistently that [REDACTED]. (Ex. 3, 137:8-12.)

18. Moreover, SmartBuyGlasses' suppliers have submitted letters attesting to the authenticity of the Maui Jim branded products they supplied to SmartBuyGlasses. (Ex. 11, 682:2-12; Ex. 10 396:6-397:7; 397:13-398:6; 404:15-23; SBG0747378, attached hereto as **Exhibit 32**; Ex. 10, 399:4-9; SBG0747200, attached hereto as **Exhibit 33**; Ex. 10, 417:22-419:9; SBG0747190, attached hereto as **Exhibit 34**; Ex. 10, 420:15-421:10; SBG0747410, attached hereto as **Exhibit 35**; Ex. 10, 491:6-492:17; SBG0747411, attached hereto as **Exhibit 36**; Ex. 10, 493:17-495:4; SBG0747418, attached hereto as **Exhibit 37**; Ex. 10, 514:1-24; SBG0747413, attached hereto as **Exhibit 38**; SBG0747085, attached hereto as **Exhibit 39**; Ex. 10, 532:11-535:4.)

F. Maui Jim Knows that SmartBuyGlasses' Sales of Maui Jim Sunglasses Are Legal

19. Senior Maui Jim employees have admitted for years that [REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]
[REDACTED]. (Ex. 13; Ex. 7, 110:20-113:4; Ex. 14; Ex. 7, 116:20-118:21; Ex. 8, 101:1-106:22; MJ-INT00000074, attached hereto as **Exhibit 40**; Ex. 7, 68:2-70:6; 27:16-24; 28:4-10; 116:3-8; 117:21-118:1; 129:23-130:16; 140:23-141:15; 222:3-223:14.) [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

21. Critically, [REDACTED]

[REDACTED]

(Ex. 7, 116:13-17; 118:8-14; 118:22-119:2; 132:9-13; Ex. 15; Ex. 7, 125:9-129:11; 135:7-18; 136:5-17; 137:1-14; 137:25-138:5; 141:1-22; 142:11-14.)

22. To the contrary, other Maui Jim employees echoed Mr. Penzek's position. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(MJ00014946, attached hereto as **Exhibit 42**; Ex. 9, 91:15-95:17.) Maui Jim's representatives admit that a customer may [REDACTED]

[REDACTED] (Ex. 9, 100:12-101:5.)

G. Maui Jim Knew About SmartBuyGlasses' Sale of Maui Jim Sunglasses Since at Least 2008 and Took No Action

23. Maui Jim knew that SmartBuyGlasses was selling Maui Jim sunglasses online since at least 2008 but took no legal action against SmartBuyGlasses until the filing of the underlying Complaint in October 2016. (SBG0002368, attached hereto as **Exhibit 43**; Ex. 4, 32:3-33:17; Ex. 18, 91:12-97:1; Ex. 5, 26:5-16; 137:2-16.) In September 2008, Michelle Munson, a Maui Jim representative, emailed SmartBuyGlasses' customer service account stating

[REDACTED]

[REDACTED]

[REDACTED] (Ex. 43; Ex. 4, 32:3-33:17.)

24. Maui Jim's most senior executives have also known that SmartBuyGlasses was selling Maui Jim sunglasses online since at least 2011. (MJ00013666, attached hereto as **Exhibit 44**; Ex. 7, 102:22-103:9; MJ00004341, attached hereto as **Exhibit 45**; Deposition of Andrea Salmaso, attached hereto as **Exhibit 46**, 25:5-18; MJ-INT00000006, attached hereto as **Exhibit 47**; Ex. 7, 103:12-106:1; Ex. 8, 24:8-11; Ex. 3, 72:21-73:2; Ex. 6, 9:9-13.) [REDACTED]

[REDACTED]

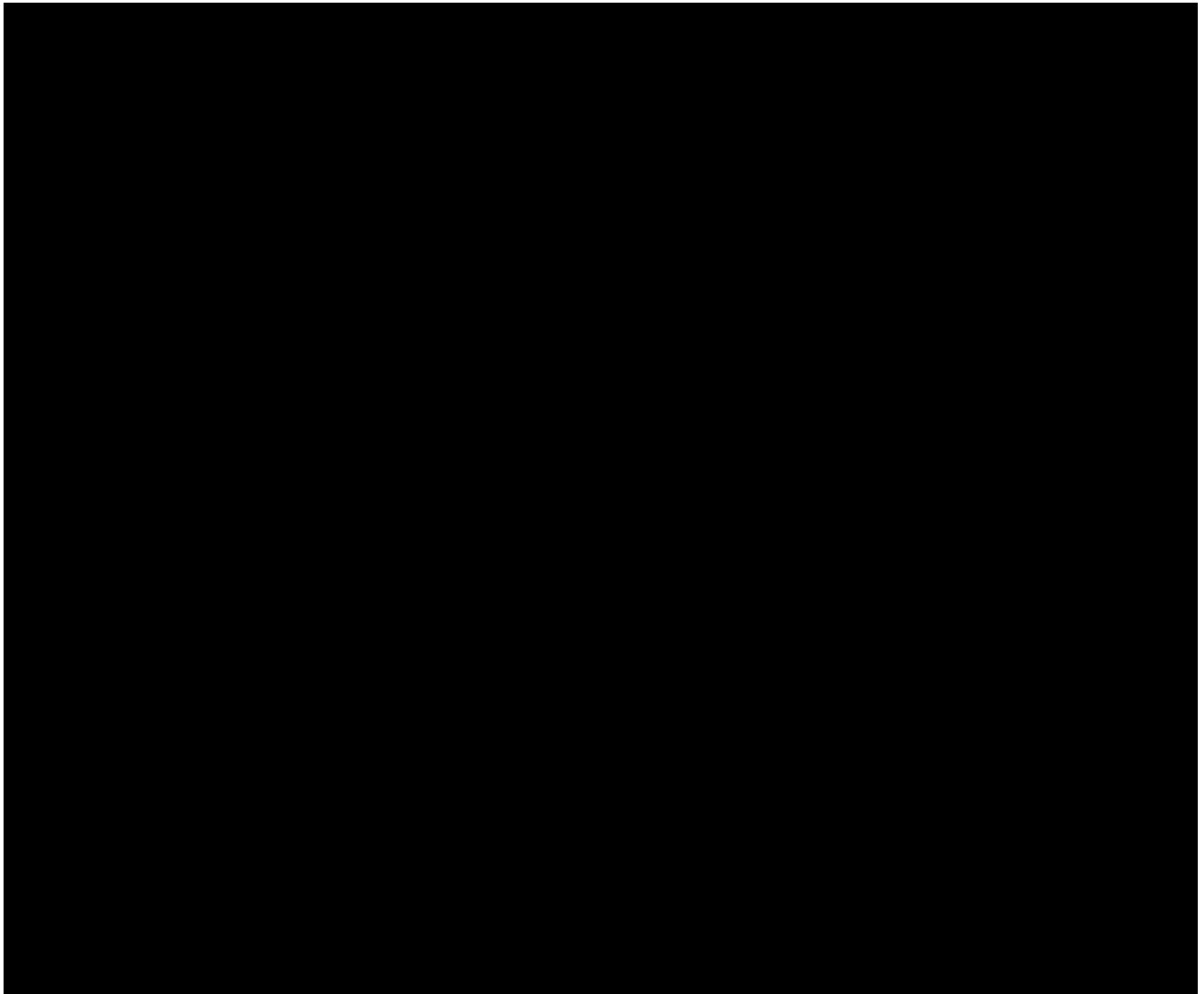
[REDACTED]

[REDACTED]

**II. [REDACTED] WAS SMARTBUYGLASSES' PRIMARY
SUPPLIER OF MAUI JIM PRODUCT**

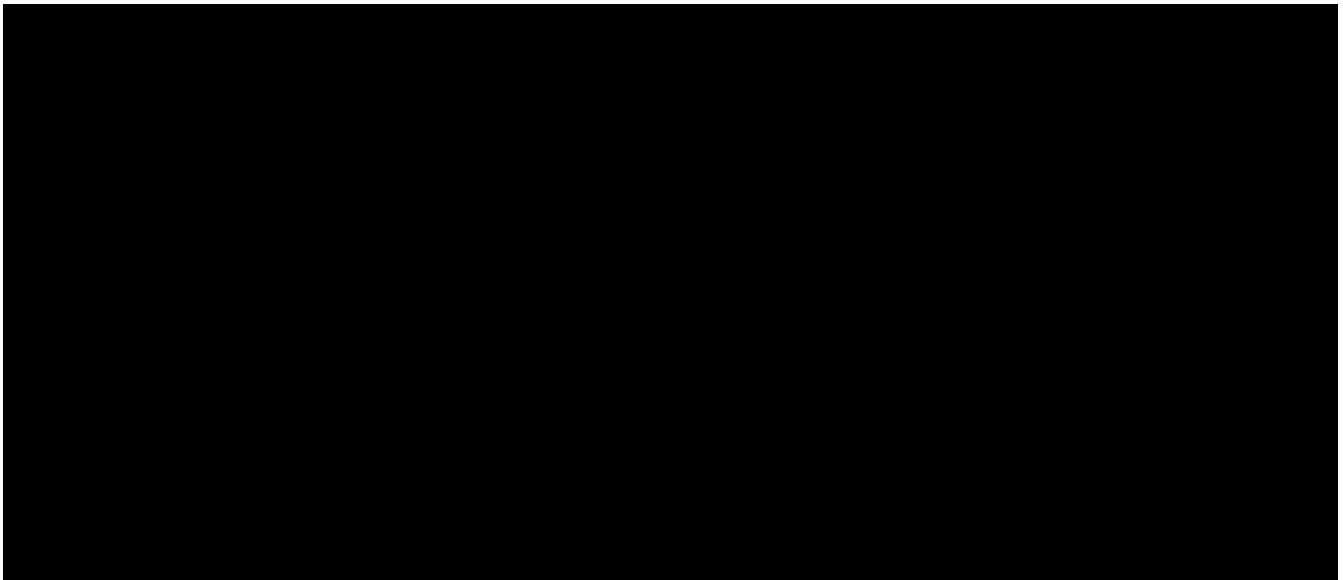
A. [REDACTED] Background

[REDACTED]

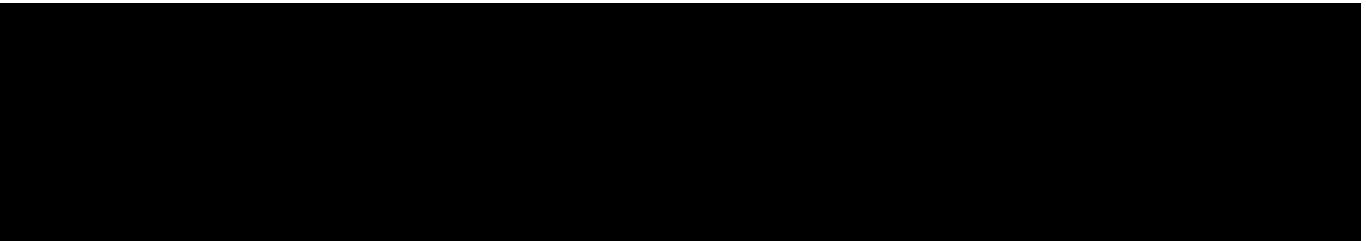


28. No matter what the sector, [REDACTED] prides itself on maintaining: (i) a strong attitude for customer service; (ii) the latest technology to provide its customers a uniquely superior experience; (iii) strong relationships with major industry players; (iv) the top brands from which its customers can choose; (v) local partnerships from which it can give back to the communities that it serves; and (vi) an unwavering promise to provide the best merchandise and service for its customers. (*Id.* at ¶ 23.)

B. Commencement Of Relationship With SmartBuyGlasses



30. By 2011, [REDACTED] was selling SmartBuyGlasses eyewear from more than [REDACTED] brands. (Ex. 2 at ¶ 27.) All of the eyewear [REDACTED] sold SmartBuyGlasses was 100% genuine and authentic, which [REDACTED] guaranteed through its trusted supply channels developed over the years. (*Id.*) In fact, every single pair of Maui Jim sunglasses that [REDACTED] distributed to SmartBuyGlasses were manufactured by Maui Jim, were in their original condition, were in their original packaging, and contained original Maui Jim accessories and product literature. (*Id.* at ¶ 48.) By 2013, annual volume of sales from [REDACTED] to SmartBuyGlasses was more than [REDACTED], with the companies entering into a special key-partner program with Luxottica to increase delivery speed to SmartBuyGlasses' customers. (*Id.* at ¶ 28.) In 2015, [REDACTED] expanded the products it distributed to SmartBuyGlasses to include ophthalmic eyewear and contact lenses. (*Id.* at ¶ 31.)



C. [REDACTED] Becomes A Maui Jim Authorized Retailer In 2011

32. [REDACTED] became an authorized retailer of Maui Jim in 2011 and commenced supplying SmartBuyGlasses with Maui Jim eyewear immediately thereafter. (Ex. 11, 56:6-57:23.) From that time forward, [REDACTED] was SmartBuyGlasses' primary supplier of Maui Jim sunglasses, though SmartBuyGlasses continued to source Maui Jim sunglasses from and through other authorized retailers. (SBG0001866, attached hereto as **Exhibit 48**; Ex. 10, 97:3-98:4.) [REDACTED] sourced Maui Jim sunglasses directly from Maui Jim as well as through other authorized retailers of Maui Jim. (Ex. 11, 480:13-482:10.) Since 2011, [REDACTED] has provided SmartBuyGlasses with [REDACTED] pairs of Maui Jim sunglasses SmartBuyGlasses has procured. (Rossetto Exhibit 103, attached hereto as **Exhibit 49**; Ex. 10, 387:7-388:16.)

33. [REDACTED] never showed SmartBuyGlasses its authorized retailer agreement with Maui Jim. (Ex. 2 at ¶ 37.) [REDACTED] also never informed SmartBuyGlasses of any of the contractual terms between Maui Jim and [REDACTED] (Ex. 11, 99:11-100:7; 102:9-17; Ex. 2 at ¶ 37; Ex. 46, 199:6-19.) [REDACTED]

[REDACTED]

[REDACTED]

D. Maui Jim Supports [REDACTED] Supply of Eyewear to SmartBuyGlasses

[REDACTED]

35. As the [REDACTED] Sales Director, [REDACTED] was responsible for and led all aspects of Maui Jim's operations in [REDACTED] including orders, shipments, customer service, and repairs. (Ex. 7, 39:9-19.) He also had authority to direct the activities of all of the Maui Jim sales executives in [REDACTED] (*Id.* at 77:7-10.)

36. One of [REDACTED] first questions to [REDACTED] was "Who is SmartBuyGlasses?" (Ex. 2 at ¶ 39.) [REDACTED] then explained [REDACTED] business model and relationship with SmartBuyGlasses and the need for as many pieces as they could sell to [REDACTED] because of SmartBuyGlasses' e-commerce demand. (*Id.*) At no time during this meeting or any time before 2018 did anyone from Maui Jim ever tell [REDACTED] that there was any issue distributing Maui Jim product to SmartBuyGlasses. (*Id.*)

37. Following the [REDACTED] meeting in 2011, [REDACTED] called [REDACTED] to advise that he deleted all unfulfilled orders and requested that [REDACTED]

suspend purchasing for a few weeks because the initial fulfilled orders for SmartBuyGlasses [REDACTED]. (Ex. 2 at ¶ 40.)

38. In December 2011, Maui Jim restarted the supply of eyewear to [REDACTED] but – [REDACTED] – [REDACTED] was not able to keep up with SmartBuyGlasses’ demand for Maui Jim eyewear through the [REDACTED]. (Ex. 2 ¶ at 41.) Around that time, [REDACTED] was introduced to [REDACTED] – a Maui Jim sales representative in [REDACTED] (Ex. 2 ¶ at 42.) [REDACTED] began supplying [REDACTED] with Maui Jim sunglasses through [REDACTED] [REDACTED]. (*Id.*)

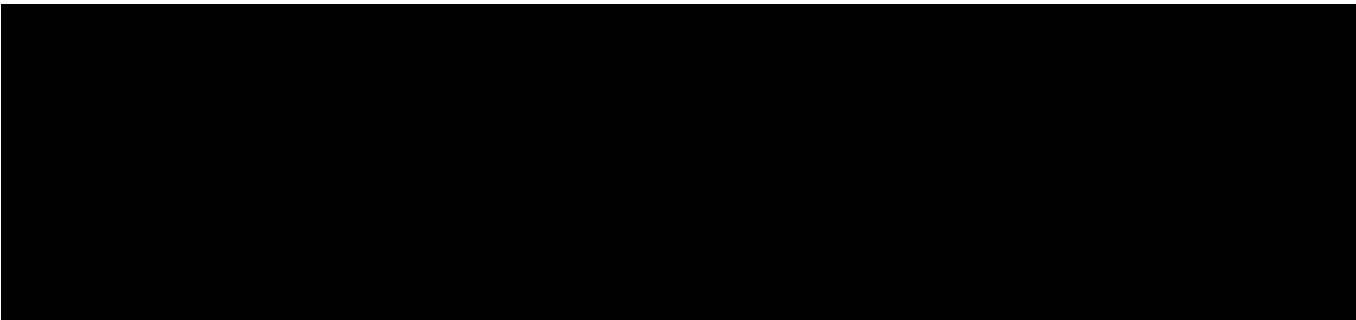
39. [REDACTED] placed [REDACTED] in contact with Mr. Kalinko in approximately 2013, and [REDACTED] and Kalinko met at the MIDO trade show in 2013 and discussed filling SmartBuyGlasses’ e-commerce orders. (Ex. 11, 70:15-72:23; 73:12-78:19; Ex. 2 at ¶ 43.) [REDACTED] continued to supply [REDACTED] with Maui Jim sunglasses for SmartBuyGlasses until 2018, which coincides with [REDACTED] termination by Maui Jim. (Ex. 2 at ¶ 42.)

40. In July 2015, [REDACTED] hosted a meeting with [REDACTED] and discussed formalizing the relationship between Maui Jim and SmartBuyGlasses. (Ex. 2 at ¶ 44.) After this meeting, [REDACTED] provided [REDACTED] with an e-commerce agreement between SmartBuyGlasses and Maui Jim. (Ex. 2 at ¶ 44; Ex. 10, 284:8-11; SBG0588074, attached hereto as **Exhibit F** to Ex. 1.) [REDACTED] emailed the agreement to Mr. Rossetto, SmartBuyGlasses’ Vice President of Operations, and Mr. Kalinko, stating that he “[j]ust finished [t]he meeting with Maui. [A]ttached [is] the proposal for Maui direct contract.” (Ex. F.) [REDACTED] provided the e-commerce agreement to [REDACTED] (Ex. 2 at ¶ 43; Ex. 2 Exhibit B; SBG0647344, attached

hereto as **Exhibit G** to Ex. 1; Ex. 46, 172:11-174:21.) Mr. Rossetto sent an email summarizing a conversation he had with [REDACTED] about the July 2015 meeting, noting that “Maui Jim has approached us again to have a direct relationship.” (SBG0711943, attached hereto as **Exhibit 50**; Ex. 10, 154:23-155:14.)

41. On September 22, 2015, [REDACTED] met with [REDACTED] and Mr. Rossetto, then SmartBuyGlasses’ Supply Manager, at [REDACTED] [REDACTED] warehouse. (Ex. 10, 16:15-18:25; 20:2-24:17.) At the meeting, Mr. Rossetto checked the volumes of Maui Jim sunglasses to make [REDACTED] aware of the volumes SmartBuyGlasses required. (Ex. 10, 23:25-24:17.) After the meeting, Mr. Rossetto sent an email summarizing the meeting, stating that “Maui Jim is interested in working with us directly (contacted us 3 times in the last 3 weeks)” and “[w]e had an open conversation, on high level they are aware of our volumes and how we sell them.” (SBG0746980, attached hereto as **Exhibit 51**; Ex. 10, 166:15-168:16.) [REDACTED] even agreed in 2016 to open [REDACTED] [REDACTED] to supply SmartBuyGlasses with more volume of Maui Jim sunglasses. (Ex. 2 at ¶ 47.) The codes were opened in the name of several of [REDACTED] brick and mortar locations. (*Id.*)

42. In 2016, [REDACTED], a [REDACTED] representative, was given a SmartBuyGlasses email address for a short time. (Ex. 2 at ¶ 50.) [REDACTED] would occasionally correspond with [REDACTED] at her SmartBuyGlasses email address. (SBG0655536, attached hereto as **Exhibit J** to Ex. 1; Ex. 46, 140:17-144:8.)



[REDACTED]

44. [REDACTED] advised [REDACTED] on multiple occasions that not only [REDACTED] but also all of the Maui Jim organization in [REDACTED] were aware of [REDACTED] distribution of the Maui Jim eyewear to SmartBuyGlasses. (Ex. 2 at ¶ 49.) [REDACTED] had regular (at least monthly) communications with [REDACTED] and/or [REDACTED] between 2011 and 2018. (*Id.* at 48.) Based on those communications, [REDACTED] knew that both [REDACTED] and [REDACTED] were acutely aware that all but an extremely small percentage of that eyewear was being sold by SmartBuyGlasses on its websites. (*Id.*) The cumulative [REDACTED] purchases from Maui Jim made it one of (if not the) largest distributors of Maui Jim eyewear in [REDACTED] (*Id.*) From 2011 through 2018, [REDACTED] purchased approximately [REDACTED] of eyewear through its codes with [REDACTED] and [REDACTED] through [REDACTED] codes, totaling approximately [REDACTED]. (*Id.*) All of this Maui Jim eyewear, and all of the Maui Jim eyewear [REDACTED] sold to SmartBuyGlasses, was 100% genuine and authentic. (*Id.* at ¶¶ 27-28; 37; 39-42; 47-49.)

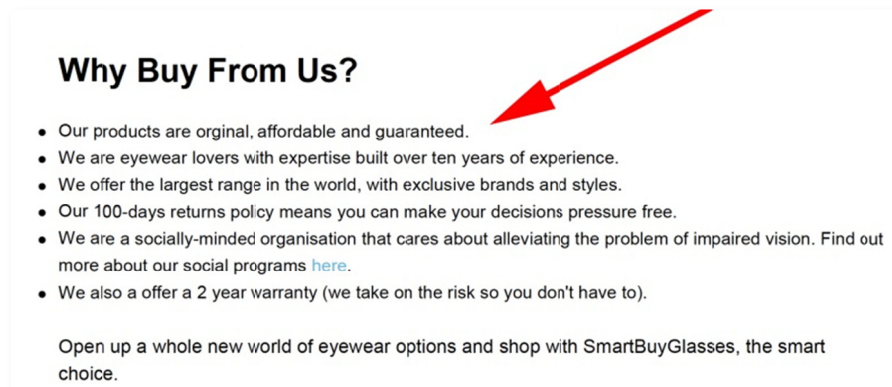
III. SMARTBUYGLASSES' SALES PROCESS

A. The Customer Experience Through SmartBuyGlasses' Website

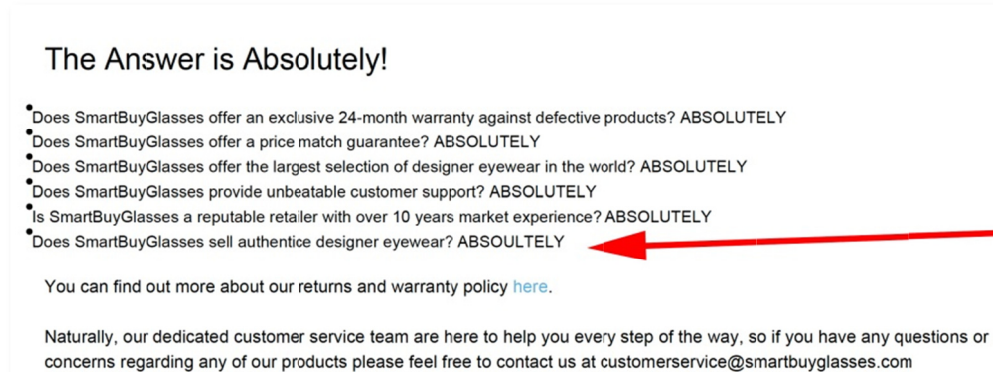
45. SmartBuyGlasses sells into the United States through its website called smartbuyglasses.com. (Ex. 1 at ¶ 8.) SmartBuyGlasses has spent many years and hundreds of thousands of dollars investing in the sale of Maui Jim sunglasses. (Buffo Rebuttal Report Exhibit C, attached hereto as **Exhibit 53**.) For example, SmartBuyGlasses spent [REDACTED] in sales and marketing expenses on Maui Jim from 2011 to 2015. (*Id.*)

[REDACTED]

47. On its website, SmartBuyGlasses provides customers with an express authenticity guarantee, telling customers that:

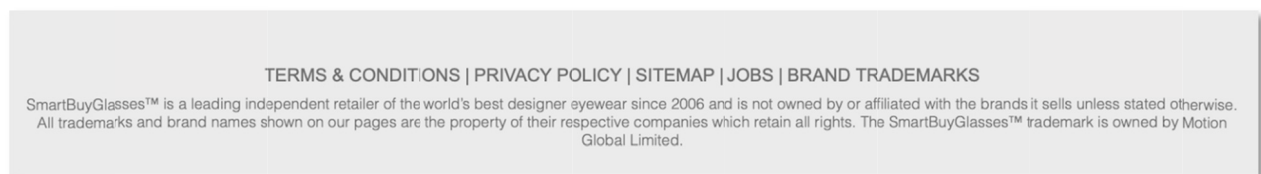


(Kalinko Exhibit 100, attached hereto as **Exhibit 54**; Ex. 11, 573:25-574:20 (red arrow added).)



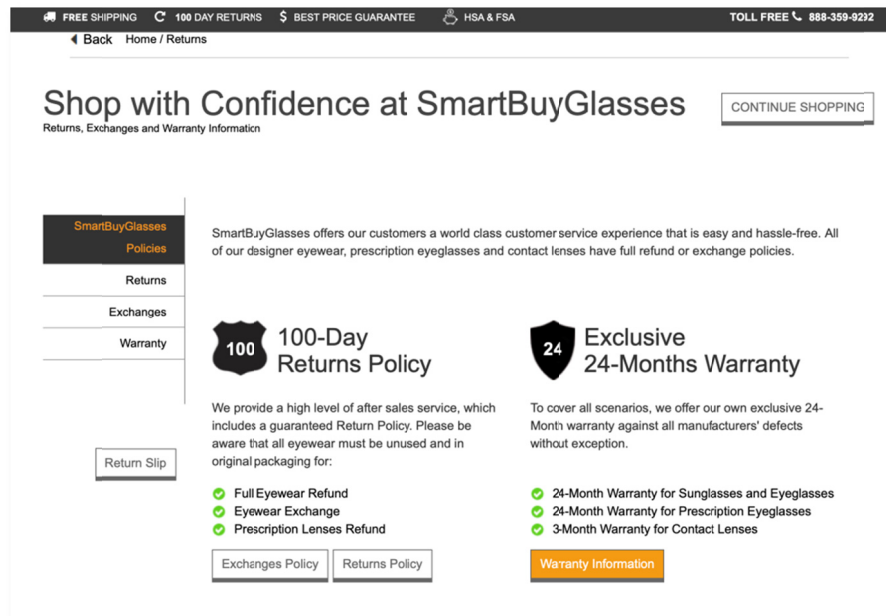
(*Id.*; (red arrow added).)

48. And, each page on SmartBuyGlasses' website expressly advises customers that it has no affiliation with the brands it sells unless stated otherwise:



(Kalinko Exhibit 91, attached hereto as **Exhibit 55**; Ex. 11, 509:10-22.)

49. In addition, SmartBuyGlasses provides its customers with a 100-day no-questions-asked return of unused eyewear in original packaging for full refund or an exchange and a 24-month warranty for full replacement against all manufacturers' defects without exception. (Ex. 10, 322:9-24; Ex. 11, 242:9-22.)



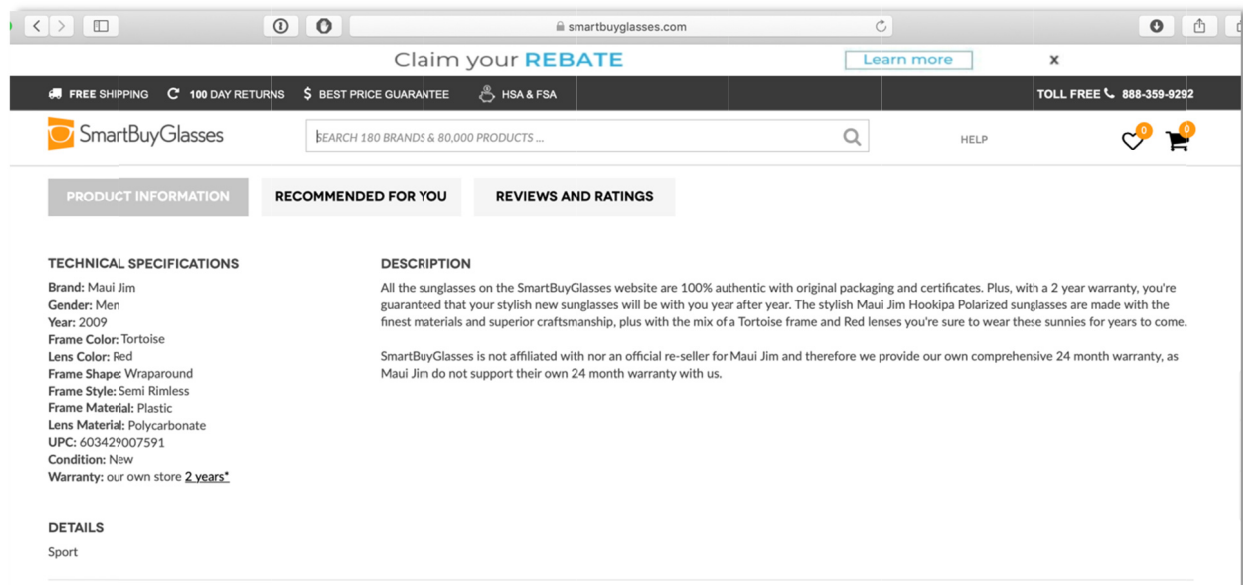
(Kalinko Exhibit 92, attached hereto as **Exhibit 56**; Ex. 11, 512:25-513:23.)



(Kalinko Exhibit 93, attached hereto as **Exhibit 57**; Ex. 11, 514:1-515:15.)

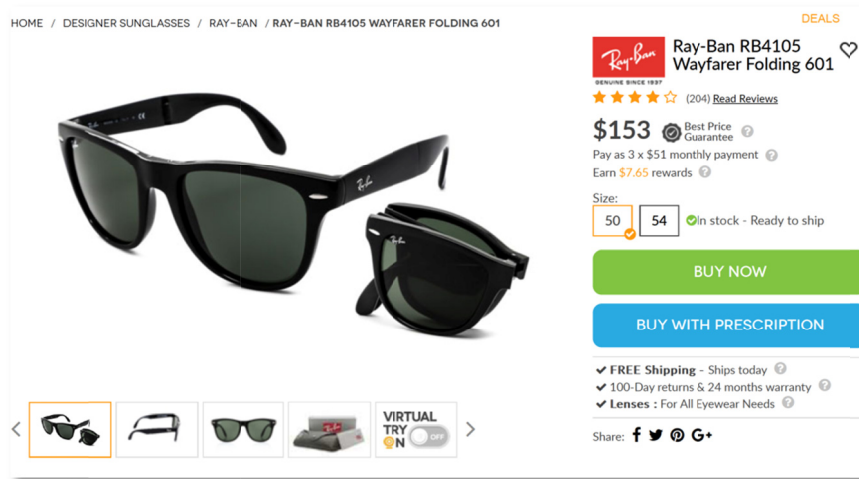
50. Maui Jim admits that the language on SmartBuyGlasses' website clearly states that the warranty is SmartBuyGlasses' exclusive warranty and not the manufacturer's warranty. (Ex. 3, 184:1-5.) Maui Jim also admits that SmartBuyGlasses guarantees the authenticity of its Maui Jim products. (Ex. 3, 269:18-21.) And, Maui Jim admits [REDACTED] [REDACTED] [REDACTED] (Ex. 3, 173:19-23.)

51. Once a customer pulls up a Maui Jim specific model on the website, the customer is again advised that SmartBuyGlasses is not affiliated with the brand itself:



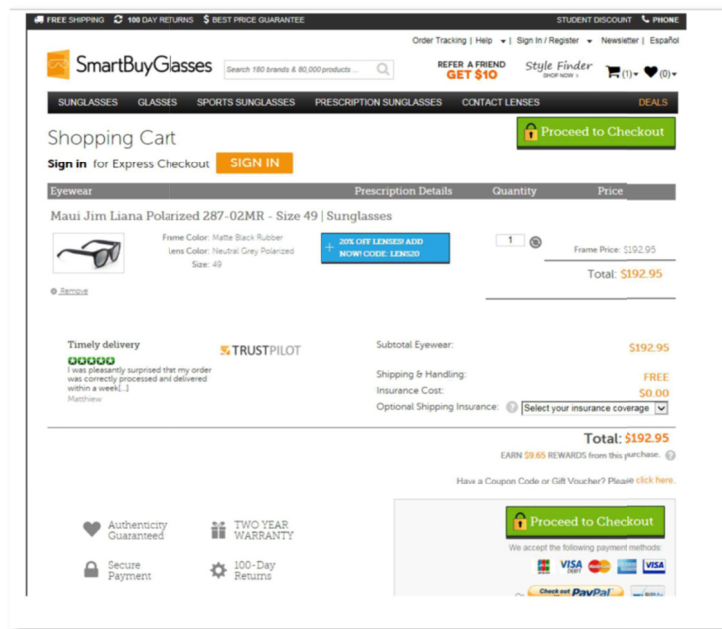
(Kalinko Exhibit 90, attached hereto as **Exhibit 58**; Ex. 11, 500:13-504:2.)

52. The customer is also provided different purchase options:



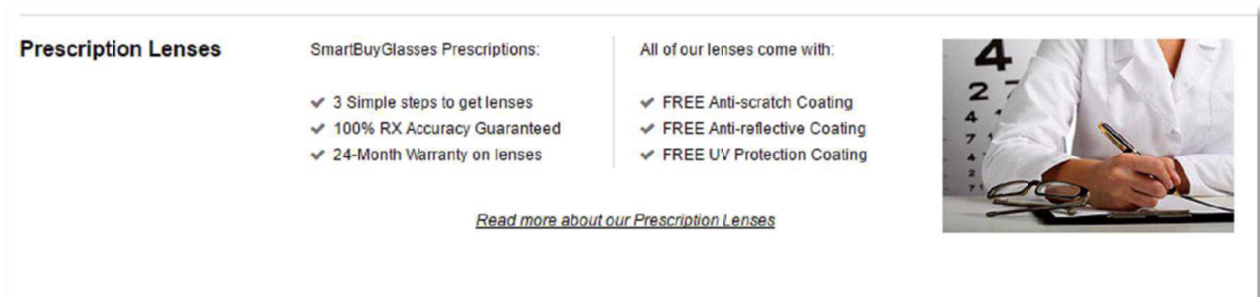
(SBG0647154, attached hereto as **Exhibit C** to Ex. 1.)

53. For the [REDACTED] of SmartBuyGlasses customers that choose to buy plano Maui Jim sunglasses, they choose “Buy Now” and see a final order confirmation screen before going through the checkout procedure and providing their name, address and payment information. (Ex. 1 at ¶ 9):



(MJ000000865, attached hereto as **Exhibit 59**.)

54. For the [REDACTED] customer purchasing a prescription add-on to a Maui Jim frame, SmartBuyGlasses expressly discloses to customers at the time of purchase that they are selecting third-party lenses from outside manufacturers. (Ex. 1 at ¶ 9.) The webpage states under a capitalized header reading PRESCRIPTION LENSES that the lenses are “SmartBuyGlasses Prescriptions” and note that “All of **our** lenses come with” a variety of features. (*Id.* (emphasis added).):



(MJ00017074, attached hereto as **Exhibit 60**.)

55. When customers click on the link to learn more about “our Prescription Lenses”, they may read extensively about “prescription lenses from premium lens producer Essilor as well as [SmartBuyGlasses’] premium quality house brand”. (SBG0647151, attached hereto as **Exhibit D** to Ex. 1.)



56. If customers then click on the “Prescription Lenses Guide” screen, they are taken to a screen that shows the various house brand and Essilor¹ lenses customers can add-on to their Maui Jim frames:

SMARTBUYGLASSES PREMIUM LENS QUALITY

CONTINUE SHOPPING

Prescription Lenses Guide

Prescription Guide
Purchasing a pair of prescription glasses or sunglasses is painless with the SmartBuyGlasses online shopping RX process. Our optometrists recommend the following lens material for the following category of eye prescriptions. For step by step instruction on how to read your eye prescription from your optometrist, please visit our FAQ.

All lenses options are made from high-grade plastic due to better clarity, higher durability and lightness compared to glass lenses options. Please be aware that the cost of each lens material differs based on thickness of the material. The least expensive option is CR39, due to a lower refractive index (lens thickness). The higher the chosen index, the thinner and more expensive the lenses will cost.

Lens Thickness	Single Vision	Bi-focal	Progressive	Sphere Range (SPH)
House Brand 1.50	✓	✗	✓	Below +/- 1.25
House Brand 1.61	✓	✗	✓	+/- 1.50 to +/- 3.50
House Brand 1.67	✓	✗	✓	+/- 3.75 to +/- 5.50
House Brand 1.74	✓	✗	✓	Above +/- 5.75
Essilor 1.50	✓	✓	✓	Below +/- 1.25
Essilor 1.61	✓	✗	✓	+/- 1.50 to +/- 3.50
Essilor 1.67	✓	✗	✓	Above +/- 3.75

(SBG0647153, attached hereto as **Exhibit E** to Ex. 1.) Further information is contained under detailed pages titled “Prescription Lenses Guide,” “Lenses Guide,” “Lenses Type,” “Lenses Index Guide,” “Lens Options,” “Prescription Sunglasses,” “Our Prices,” and “SmartBuyGlasses Policies.” (*Id.*)

57. Nowhere in the purchase process does SmartBuyGlasses state that the prescription lenses being purchased are Maui Jim prescription lenses. (Ex. 1 at ¶ 10.) And, Maui Jim concedes [REDACTED]

[REDACTED] And, in fact, SmartBuyGlasses never did. (Ex. 1 at ¶ 11.)

¹ Essilor is a French-based manufacturer of high quality prescription lenses.

B. What SmartBuyGlasses' Customers Receive

58. Upon delivery, the [REDACTED] of customers that ordered plano Maui Jim sunglasses receive from SmartBuyGlasses the original Maui Jim sunglasses in their original packaging with all of the original accoutrement. (Ex. 1 at ¶ 12; *see also* Ex. 59.)

59. For those few customers that ordered Maui Jim sunglasses from SmartBuyGlasses with a prescription add-on, the customers receive the Maui Jim sunglasses with the third-party prescription lenses glazed into the frames along with all the original Maui Jim packaging, the original accoutrement, and the original Maui Jim plano lenses in a separate envelope along with a lens card explaining the SmartBuyGlasses or Essilor prescription lenses. (Ex. 1 at ¶ 13; *see also* Declaration of Stephen J. Rosenfeld, attached hereto as **Exhibit 119 at ¶¶ 1-3, Exs. 1-3.**)



60. If customers were concerned that they received third party prescription lenses, or had any other issues with the Maui Jim sunglasses they received from SmartBuyGlasses (including that they simply changed their mind about the purchase), they were able to utilize

SmartBuyGlasses' standard, 100-day "no questions asked" unlimited return policy. (Ex. 1 at ¶ 14.)

61. Despite its allegations in the complaint, Maui Jim admits that [REDACTED]

[REDACTED]

[REDACTED]. (Ex. 3, 274:4-10.)

C. SmartBuyGlasses Customers Who Purchase Maui Jim Take Time On The Website

[REDACTED]

[REDACTED]

64. On average, SmartBuyGlasses customers visit its website [REDACTED] times over a period of more than [REDACTED] before making a purchase. (Ex. 1 at ¶ 15.) Each of the [REDACTED] sessions typically last more than [REDACTED] minutes and involves visits to approximately [REDACTED] pages. (*Id.*) Thus, customers spend on average more than eight minutes of time studying the website pages per sale. (*Id.*)

IV. THE OPTICAL INDUSTRY PRACTICE OF THIRD PARTY PRESCRIPTION LENSES

65. Maui Jim admits that there is a common industry practice of glazing third party prescription lenses into designer sunglass frames. (Ex. 3, 222:24-225:24; Ex. 18, 157:1-11; Ex. 5, 143:23-144:19; 145:9-22.) [REDACTED] likewise attests that he is [REDACTED]

[REDACTED]

[REDACTED]

66. Indeed, while Maui Jim has a policy of not permitting its authorized retailers to engage in the practice, it knows [REDACTED], [REDACTED] (Ex. 18, 159:8-14; MJ00002592, attached as **Exhibit 62**; MJ00019021, attached as **Exhibit 63**; MJ00019015, attached as **Exhibit 64**; MJ00019023, attached as **Exhibit 65**; MJ00019142, attached as **Exhibit 66**; MJ00002379, attached as **Exhibit 67**; MJ00002139, attached as **Exhibit 68**.)

67. Maui Jim also admits that [REDACTED] [REDACTED] (Ex. 7, 91:2-18; Ex. 31; Ex. 7, 89:8-92:12; Ex. 3, 137:8-12.)

68. In the designer goods industry, consumers often customize their purchases. (Caniglia Report, attached as **Exhibit 69**, at ¶ 49.) In the watch context, this customization can take the form of personal engravings or added product features, such as a unique watch band.

(*Id.*) This customization does not render an authentic good inauthentic or counterfeit. (*Id.*) Here, the prescription lens add-on is merely an option that consumers could exercise. (*Id.*) The inclusion of a third-party add on lens does not render the Maui Jim product consumers purchased counterfeit where, as here, the original plano lenses are included and SmartBuyGlasses clearly disclosed the third-party nature of the prescription lenses. (*Id.*) This is no different than purchasing a new car from a dealer and requesting custom wheels to be added. (*Id.*) That does not mean the car itself is counterfeit or fake. (*Id.*)

69. Maui Jim's own authorized retailers [REDACTED] [REDACTED]. (SBG0647526, attached hereto as **Exhibit H** to Ex. 1; Ex. 46, 103:23-109:24; MJ00002631, attached hereto as **Exhibit 70**; MJ00002828, attached hereto as **Exhibit 71**; MJ-INT00000652, attached hereto as **Exhibit 72**; Ex. 7, 202:5-206:23; MJ00002588, attached hereto as **Exhibit 73**; Ex. 18, 151:21-155:14; Deposition of Lynn Campen, attached hereto as **Exhibit 74**, 163:6-164:14; Ex. 46, 101:6-15; Ex. 18, 158:15-24.) Maui Jim's representatives have stated that [REDACTED] [REDACTED]

[REDACTED]. (SBG0731124, attached hereto as **Exhibit K** to Ex. 1.) Accounts have also complained that [REDACTED]. (SBG0647526, attached hereto as **Exhibit 75**; Ex. 46, 103:23-109:24.) One of Maui Jim's authorized retailers, Zappos.com, has directed customers to non-Maui Jim prescription lens providers. (Ex. 18, 192:5-195:6; Rhodes Exhibit 19, attached hereto as **Exhibit 76**.)

70. Maui Jim is and has been aware of the practice that [REDACTED] [REDACTED]. (Ex. 75; Ex. 46, 103:23-109:24) [REDACTED]

² Hoya is a Japan-based manufacturer of high quality prescription lenses.

[REDACTED]

[REDACTED]. (*Id.*) [REDACTED]

[REDACTED]

[REDACTED]. (Ex. 18, 159:5-14; Ex. 62; Ex. 63; Ex. 65; Ex.

[REDACTED]

71. Maui Jim does not terminate and has not terminated the more than [REDACTED] authorized retailers who [REDACTED]

[REDACTED]. (Ex. 67.) And, based on a review of Maui Jim's authorized retailer function from its website, [REDACTED] (Ex.

64.) Further, this document is clearly incomplete, as it does not list [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] (*Compare id.* with Ex. 62.)

[REDACTED]

73. Maui Jim's authorized retailer agreements [REDACTED] [REDACTED] (Ex. 46, 31:5-9.) Nothing in Maui Jim's authorized retailer agreements [REDACTED] [REDACTED] [REDACTED] (Ex. 46, 33:2-34:20; MJ00004293, attached hereto as **Exhibit 77**; Salmaso Exhibit 2, attached hereto as **Exhibit 118**; Ex. 46, 27:25-30:3; MJ00004311, attached hereto as **Exhibit 78**; Ex. 46, 34:21-36:4; Salmaso Exhibit 4, attached hereto as **Exhibit 79**; Ex. 2 at ¶ 51.) And, Maui Jim's European authorized retailer agreements [REDACTED] [REDACTED] (MJ00016295, attached hereto as **Exhibit 80**; Salmaso Exhibit 6, attached hereto as **Exhibit 81**; Ex. 46, 44:15-45:18; Ex. 2 at ¶ 51.) Mr. Salmaso admitted that [REDACTED] [REDACTED] (Ex. 46, 36:20-37:13.) And, Maui Jim has [REDACTED] [REDACTED] (Ex. 46, 112:6-11; Ex. 8, 129:1-4.)

V. THE GRAY MARKET

74. Because SmartBuyGlasses sells Maui Jim sunglasses outside of Maui Jim's authorized channels, SmartBuyGlasses falls into the category of a "gray market" dealer. (Ex. 9, 116:5-7.)

75. Gray market dealers sell goods outside a manufacturer's authorized retail channel, but that are in fact authentic. (Ex. 69 at ¶ 44.) In the eyewear industry, as in other industries, gray marketing involves the distribution of genuine products outside the authorized distribution channel via a 'parallel' channel. (*Id.* at ¶ 44, n. 70.) Gray market goods "are not counterfeit goods. They are genuine goods that bear a legitimately registered trademark. They have 'leaked' out of the authorized channel of distribution and are offered for sale through an alternate channel." (*Id.*, quoting GRAY MARKETS: A LEGAL REVIEW AND PUBLIC POLICY PERSPECTIVE, Vol. 9, p. 183 (1990) (183-194).)

76. In the context of retail and online sales, an authentic or genuine product is defined as a product that was manufactured by the designer to whom it is attributed. (*Id.* at ¶ 42.) In the context of retail and online sales, a counterfeit product is defined as a replica manufactured by a third party that is designed to imitate the product it attempts to copy. (*Id.* at ¶ 43.) [REDACTED]

[REDACTED]

[REDACTED]

77. Maui Jim representatives have repeatedly admitted that [REDACTED]

[REDACTED] (MJ00014992, attached hereto as **Exhibit 82.**) [REDACTED]

[REDACTED]

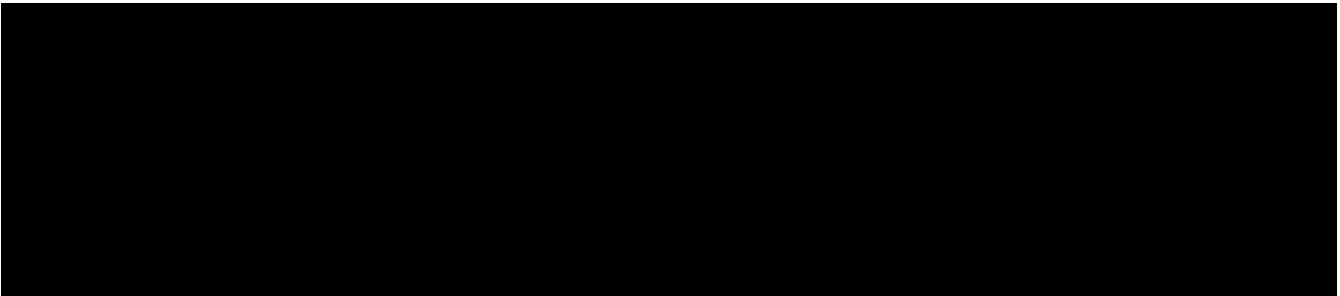




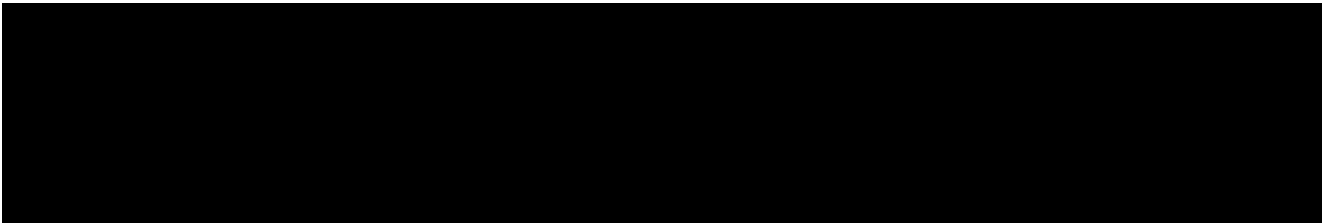
[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]



78. The parallel or gray market is a generally accepted, widespread and encouraged practice in the United States and globally. (Ex. 69 at ¶ 45.) It encompasses many consumer goods, including clothing and accessories such as watches or glasses. (*Id.*) If such practices were associated with counterfeit product, then companies like Amazon, Costco, Walmart, Sears and other major retailers may not exist or would operate in entirely different ways. (*Id.*) In 1988, a Harvard Business School review estimated that \$7 to \$10 billion dollars in gray market products are sold in the U.S. each year. (*Id.*) This number is significantly higher today. (*Id.*)

79. In the optical industry, retailers, distributors and brand owners consider gray market goods to be authentic and often support such sales in order to sell more products in the market place. (*Id.* at ¶ 46; Ex. 2 at ¶ 37.) In fact, the gray market is a legal and integral part of the global consumer products industry in general not only to increase total sales but also to assist in evening inventory levels of products across markets and assisting in turning stock of lower-selling products or products approaching the end of their life cycles. (Ex. 69 at ¶ 46.) Brand owners, distributors, manufacturers, and retailers actively engage in this practice around the

world. (*Id.*) Businesses sometimes attempt to limit gray market sales and at other times try to maximize it, depending on their overall business goals in driving revenue and economies of scale. (*Id.*)

80. Maui Jim has not registered as having gray market protection with U.S. Customs and Border Protection. (TMK 13-00435,

<https://iprs.cbp.gov/#/routeSearchResults?searchText=Maui%20Jim> (last visited June 28, 2019).)

Trademark Customs Recordation Number: TMK 13-00435		Effective Date: 12/13/2018 CBP Recordation Expiration Date: 12/10/2028 USPTO Registration Expiration Date: 6/10/2028 Close Print
Title	MAUI JIM (STYLIZED)	
Product	IC 009, Sunglasses.	
Description	Color is not claimed as a feature of the mark. WORD MARK IN STYLIZED FORM, MAUI JIM (Stylized)	
Owner Name	Maui Jim, Inc.	
Gray Market Importations Restricted	NO	
U.S. Patent and Trademark Office Registration Number	3443858	
Firm Contact Name	Barnes & Thornburg LLP Michelle Mikol 1717 Pennsylvania Avenue NW, Suite 500 Washington, District of Columbia, 20006-4613	
Phone	(202) 371-6356	

(red arrow added.) Trademark holders cannot get gray market protection if “the merchandise as imported is not physically and materially different...” 19 CFR § 133.23.

VI. MAUI JIM’S TEST PURCHASES

81. Maui Jim made its test purchases of Maui Jim sunglasses from SmartBuyGlasses between 2011 and 2016. (Ex. 14; Ex. 7, 116:20-118:21; Ex. 8, 101:1-106:22; Ex. 7, 116:18-119:19; Ex. 9, 31:3-35:19.)

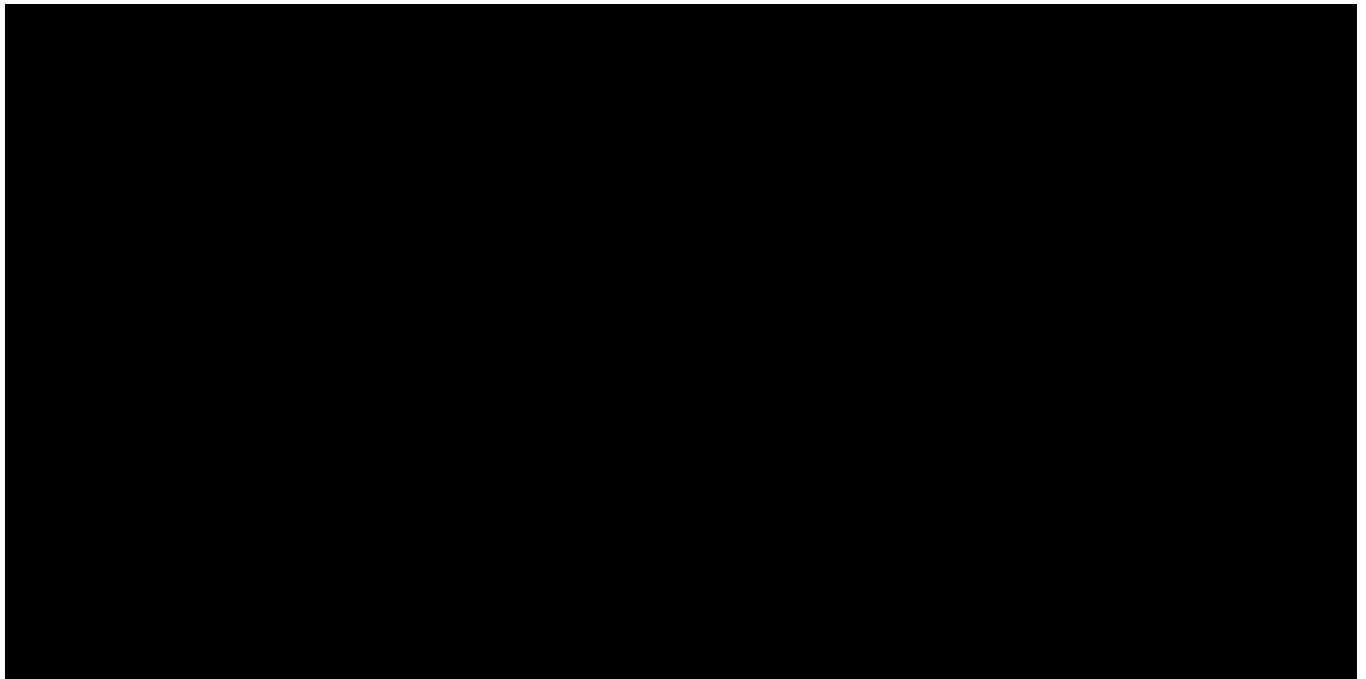
[REDACTED]

[REDACTED]. (Ex. 9, 35:20-36:18.)

[REDACTED]

[REDACTED]

(Ex. 8, 81:9-13; MJ00013907, attached hereto as **Exhibit 88**; MJ00013855, attached hereto as **Exhibit 89**.)



84. [REDACTED] never determined that any of the sunglasses it purchased from SmartBuyGlasses were counterfeit or in any way unauthentic. (Ex. 90, 47:13-23.) [REDACTED] did not perform any testing on the Maui Jim sunglasses it received from SmartBuyGlasses to determine the authenticity of the product. (*Id.* at 46:19-24.)

85. And, as set forth in paragraphs 11 and 12 above, neither did Maui Jim.

VII. MAUI JIM'S CUSTOMER SERVICE

86. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

(Ex. 3, 89:24-90:4.)

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

Indeed, Maui Jim has no evidence regarding the volume of calls it receives asking [REDACTED]

[REDACTED]. (*Id.* at 118:21-119:5.)

88. However, Maui Jim customers have [REDACTED]

[REDACTED]. (MJ00001881, attached hereto as

Exhibit 92; Ex. 5, 60:7-63:10; Ex. 3, 100:17-101:18; MJ00001878, attached hereto as **Exhibit**

93; Ex. 5, 63:14-65:14.) Specifically, customers have asked [REDACTED]

[REDACTED] are [REDACTED]. (*Id.*)

[REDACTED] are all authorized retailers of Maui Jim. (Ex.

6, 28:5-9; Ex. 18, 119:9-17; 190:17-19.) In one particular instance, [REDACTED]

[REDACTED] (Ex. 92; Ex. 5, 60:7-63:10; Ex. 3, 100:17-101:18.) In another

instance, [REDACTED]

[REDACTED] (Ex. 93; Ex. 5, 63:14-65:14.)

VIII. MAUI JIM'S POLICIES AND PROCEDURES

89. Maui Jim's return policy provides for a 30-day return of eyewear in resalable condition. (MJ00000651, attached hereto as **Exhibit 94**; MJ00000656, attached hereto as **Exhibit 95**; Ex. 74, 80:2-82:14.) Maui Jim's warranty policy provides that Maui Jim will replace or repair, at its option, any sunglasses found to have a manufacturer's defect. (MJ00015001, attached hereto as **Exhibit 96**.) [REDACTED]

[REDACTED] (Ex. 74, 92:12-18.)

90. [REDACTED]

[REDACTED]. (Ex. 18, 26:24-27:9; 29:19-30:17.)

91. Maui Jim's authorized retailers place Maui Jim sunglasses out on display. (*Id.* at 31:19-32:4.) Prospective customers can pick up those sunglasses, try them on, and choose whether or not to purchase those sunglasses. (*Id.* at 31:4-32:4; 45:12-16.) [REDACTED]

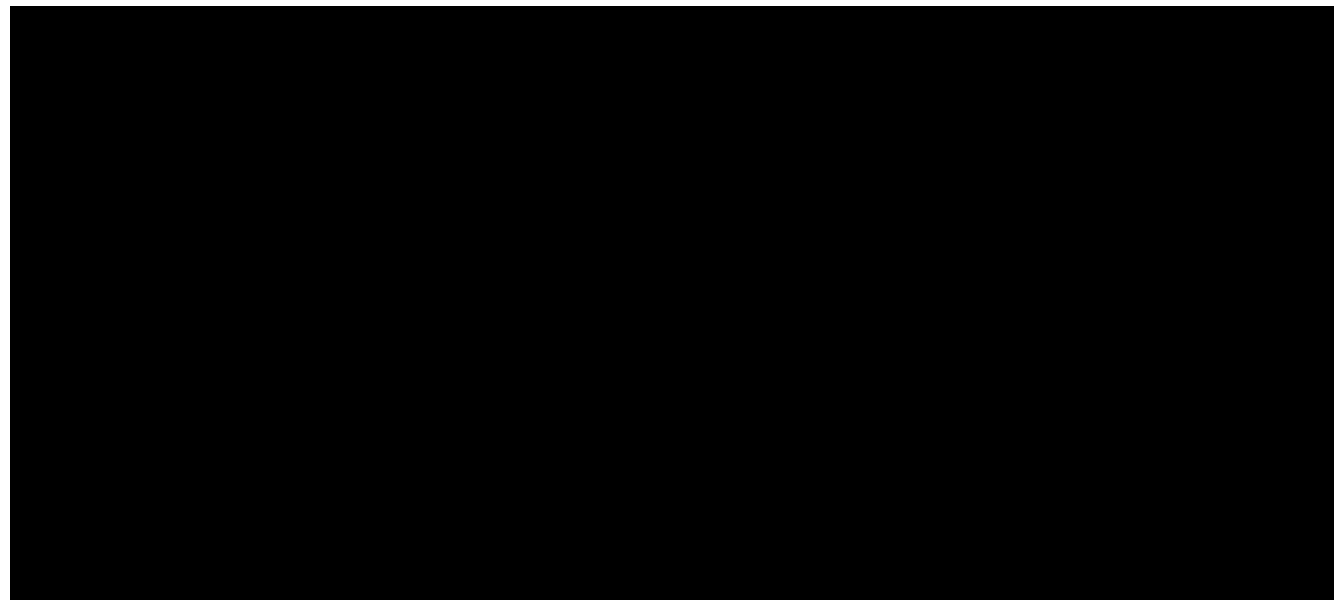
[REDACTED]

[REDACTED] l. (*Id.* at 34:6-10.)

[REDACTED]

[REDACTED]

[REDACTED]



[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

IX. MAUI JIM LIED ABOUT SMARTBUYGLASSES

[REDACTED]

99. And, as set forth above in paragraphs 84 and 85, Maui Jim has no evidence that SmartBuyGlasses ever sold any counterfeit goods.

X. MAUI JIM'S TORTIOUS INTERFERENCE CLAIM

100. Neither Maui Jim nor any of Maui Jim's authorized retailers ever informed SmartBuyGlasses of their contractual terms. (Ex. 11, 96:19-21.) No representative of SmartBuyGlasses ever saw any contract between Maui Jim and any authorized retailer before this litigation commenced and no representative of SmartBuyGlasses ever saw any authorized retailer's contract other than the [REDACTED] contract produced in this litigation. (*Id.*)

[illegible]

[REDACTED]

102. Moreover, Maui Jim has not even produced in this litigation the contracts for any retailer from which SmartBuyGlasses procured product other than the [REDACTED] contracts with Maui Jim. (Ex. 1 at ¶ 16.)

[REDACTED]

104. Further, with regard to [REDACTED] neither the 2011 agreement nor the 2017 agreement with Maui Jim provided: [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED] (Ex. 2 at ¶ 51.)

XI. MAUI JIM'S COPYRIGHT COMPLAINT

105. Maui Jim has no evidence that SmartBuyGlasses used Maui Jim's copyrighted images aside from a visual comparison. [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

107. Maui Jim has not established the licensing fee, if any, that it charges its retailers to use its images. (Ex. 5, 243:19-244:8.)

108. Maui Jim has asserted copyright claims with respect to 22 photographs that, by Maui Jim's own admission, were taken between March 27, 2015 and October 22, 2015, but were not registered until August 8, 2016. (Second Am. Compl., ECF No. 257, Exhibit K., p. 30-38.)

109. Moreover, SmartBuyGlasses has since 2011 had an express, written policy not to use Maui Jim stock images. (SBG0001962, attached hereto as **Exhibit I** to Ex. 1.)

XII. MAUI JIM'S COUNTERFEIT THEORY

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

**XIII. SMARTBUYGLASSES PROVIDES SALES FOR MAUI
JIM THAT IT MIGHT NOT OTHERWISE HAVE HAD**

111. Maui Jim does not know whether any customer who bought an item from SmartBuyGlasses would have brought equivalent items from Maui Jim at the price point Maui Jim charges customers. (Ex. 5, 171:17-172:4.) [REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

XIV. SMARTBUYGLASSES INVESTS IN MAUI JIM

112. SmartBuyGlasses invested in significant resources, time and effort in building up its sales, marketing and operations including relationships with [REDACTED] and other Maui Jim authorized retailers based on its understanding that Maui Jim did not object to SmartBuyGlasses' sales of Maui Jim sunglasses. (Ex. 1 at ¶ 26.)

Dated: August 2, 2019

Respectfully submitted,

SMARTBUY GURU ENTERPRISES, MOTION
GLOBAL LTD., SMARTBUYGLASSES
SOCIETÀ A RESPONSABILITÀ LIMITATA,
SMARTBUYGLASSES OPTICAL LIMITED

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